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KUWAIT-IRAQ RELATIONS

SUBJECT: ENERGY MINISTER AND COUNSELOR ZELIKOW DISCUSS
IRAN, IRAQ, ENERGY SUPPLY SECURITY AND DEMOCRATIZATION

Classified By: Ambassador Richard LeBaron for reason 1.4 (b) and (d)

11. (C) Summary: In a March 19 meeting with DoS Counselor Zelikow, Kuwaiti Energy Minister Shaykh Ahmed Al-Fahd Al-Ahmed Al-Sabah said that Iran's strategies may have changed over the years but that the underlying agenda remain the same, to exert its influence throughout the region. He alleged Iranian interference in Kuwait's internal politics, and in Iraqi politics, especially in southern Iraq. The Minister asked for "the end of (the America's) story" for Iran, saying that it would help Kuwait properly invest in its defense posture and security measures. He expressed GOK fears of a migration of terrorists out of Iraq and into Kuwait over the next few years, but saw a promising role for the private sector in the development of Iraq, specifically in the energy sector. He suggested that the USG "learn from (America's) mistakes" in democracy-building efforts in the region, citing the success of Hamas and the Muslim Brotherhood in recent elections in the Palestinian Authority and Egypt as examples of democratization efforts gone awry. On energy supplies and policies, Shaykh Ahmed said that Kuwait "is not far from the U.S." on policy matters and was actively investing in increased production capacity. He cited "geopolitical tensions" as the main reason for sustained high oil prices and specifically noted his concern for any disruptions in the shipping lanes in the Gulf.

12. (C) Comment: Shaykh Ahmed has close ties to the top members of the ruling family and is often discussed as having potential to hold higher office himself someday. He also has close ties to the security apparatus within Kuwait, which includes his brother, Kuwait State Security Director General Athbi Al-Fahd Al-Ahmed Al-Sabah. In this conversation he didn't shy away from sharing his thoughts on Iraq, Iran, and numerous other issues outside of his current official portfolio of energy issues. End Summary and Comment.

Iran: Strategies Changing but Motivations Are the Same

13. (C) Counselor Zelikow met with Kuwait Energy Minister Shaykh Ahmed Al-Fahd Al-Ahmed Al-Sabah on March 19. The Counselor shared USG views on developments in Iran and Iraq with the Minister, outlining the points that he discussed in separate meetings with Kuwait's Foreign Minister and Interior/Defense Minister (reported septel).

¶4. (C) Shaykh Ahmed agreed with the Counselor's assessment of the Iranian regime as problematic. He noted that "when Iran started the revolution, they wanted to export it, but Saddam fought with them." He said he thought the Iranian leadership had "changed (its) strategy, but not (its) causes." He added that Iran is "still using their influence," and that the Iranians "have their people throughout the region supporting them." He alleged that the Iranian government "is contacting some Kuwaiti MPs to support them in the next election." (He did not identify the MPs or specify who he believed to be in contact with them.)

¶5. (C) The Minister said that "Iranian groups are working in Kuwait now" and that these groups "represent Khamenei." If Kuwait continues to support its local Shi'a, he added, "we can solve this problem." He said that many Kuwaiti Shi'a already recognize that "Iran is not the dream they thought it was."

Iran: "Making Lots Of Problems" In Iraq

¶6. (C) Shaykh Ahmed said that Iran was "making lots of problems" in Iraq, because Iran felt threatened by the growing power of important Iraqi Shi'a centers such as Najaf and Karbala. He said the Iranians were afraid these cities "would take the place of Qom" and other important Iranian Shi'a holy places. He also believed SCIRI leader Abdul Aziz Al-Hakim, the Badr Organization, and others were "making trouble in Iraq because of Iran."

¶7. (C) The Minister went on to say that he believed that Iran is "trying to control the south of Iraq for their

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benefit." He claimed to have inside information that "people in Kuwait believe that all of the staff of Sistani comes from Khamenei." He later added that "Sistani himself is OK, but the people around him are Iranian-influenced."

Iran: "We Need to Know the End of Your Story"

¶8. (C) Without asking directly, Shaykh Ahmed was obviously looking for a clearer picture of USG plans concerning Iran. "We need to know the end of your story (for Iran)," he said. "If we don't know the end of the story," he added, "it is hard for us to participate and invest in our defense posture and security measures."

¶9. (C) The Minister said Iran's nuclear program was "a big headache for us" because Iran was "very close." He said that Kuwait was following the UN Security Council deliberations on the Iranian nuclear issue and that Kuwait saw the issue as its "main problem" with Iran. "Iranians are clever people," the Minister said, "and will not budge from their position until faced with force." He suggested the USG work with GCC foreign ministers "to craft a strategy on Iran."

Iraq: A Problematic South, And Possible Terrorist Migration

¶10. (C) The Minister said Kuwait's first concern was the south of Iraq, and added that it was "one of the main problems we will face in the future." He said that he and others within the GOK "believe five to ten thousand terrorists will leave Iraq" in the next few years for other countries, such as Kuwait. He gave as one example the "Peninsula Lions" group that had links to groups recruiting fighters for Iraq, saying that just two of them "were able to build a group (in Kuwait) quickly." Without elaborating on specifics, he said that there is a "need for a short-term solution to some of these problems, not a long-term solution." Shaykh Ahmed provided his view on the future political situation in Iraq, saying "We believe Iraq will

become a federal system, divided into regions." He said that the Iraqis "will always be against (a central) government, on a traditional basis."

Iraq: Looking For A Large Role For Private Sector

¶11. (C) The Counselor briefed Shaykh Ahmed on the international compact idea proposed for the eventual new Iraqi government and the need for greater assistance from the GCC, and told the Minister that a "decisive move" would be needed by neighboring countries to support Iraq. The Minister said that this overall topic could be discussed by the GCC foreign ministers at their next meeting. He added that "if there was a reasonable government (in Iraq) with a clear strategy (on development), then everyone should help, including the private sector." Shaykh Ahmed saw great promise in allowing a large role for the private sector in Iraq, including the "private development of the oil, water, electricity and housing sectors." He said that the participation of foreign companies in the development of these sectors would help provide security for their investments. Shaykh Ahmed believed GCC governments "would be less supportive than the private sector," but was still optimistic that "a lot of cash" would be provided for investment in Iraq from the public and private sector throughout the GCC.

Greater Iraq-Kuwait Energy Cooperation On Horizon

¶12. (C) The Minister said he "would like to see more investment in Iraq" by Kuwait and other neighboring countries and believed that, with greater development of its oil sector, "Iraq would be richer than Kuwait." He said that he did not see Iraq as a threat, but rather as "an opportunity for Kuwait."

¶13. (C) Kuwait and Iraq had established a joint team between their oil ministries, to work on issues of joint development

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and cooperation, Shaykh Ahmed explained. He said that, while "the IOCs are not able to go into Iraq yet," there were "lots of new private oil services companies in Kuwait" that would be "willing to work in Iraq." These companies would still need to work with "IOC partners" in order to be covered for the financial risks involved.

¶14. (C) Shaykh Ahmed said that the Iraqi Oil Minister had been in Kuwait the day before to talk to some local and international companies about development of Iraq's oil sector. "The companies can use Kuwait as a base" to work in Iraq. He said once Iraq had rehabilitated enough of its own infrastructure to export gas, Kuwait could either import and use the gas itself or re-export it elsewhere. For crude oil, however, he said that Kuwait "has an export capacity shortage" and that the country needs to "expand our own export capacity to four million bpd before offering it to others."

Democracy-Building: "Learn From Mistakes"

¶15. (C) Shaykh Ahmed turned the discussion to U.S. efforts to promote democracy throughout the region. He said that "there were some mistakes" that needed to be studied, including the success of Hamas and the Muslim Brotherhood in recent elections in the Palestinian Territories and Egypt. "We're not just speaking of Al-Qaeda," he said, and went on to explain that there are other "emotional" and "traditional" elements of some regional societies that will be naturally "religious" and "anti-Western." He added that "promises made to Arafat and Abu Mazen were not felt on the street, so the (recent PA election) vote was anti-Fatah."

¶16. (C) "The Middle East is going through changes," said Shaykh Ahmed, "and you must have societies that are ready to deal with these changes." "On the political front," he said, "don't be too aggressive." "Not everybody will accept this democratization," he added. He seemed to see Kuwait as an exception though, saying that "whatever you are doing in Kuwait, we have people here who are doing more."

Energy Supplies / Security: "Not Far from U.S. Policy"

¶17. (C) The Minister said that the GOK was "not far away from the U.S. government on energy policy," and that Kuwait was in the process of "increasing investment in production capacity." He added that Kuwait was "re-investing all (of its) profits" in increasing capacity in order to meet global demand. Kuwait's policies are "in line with the international community," he noted, adding that Kuwait was also investing in its downstream sector, and was always on the lookout for new reserves.

¶18. (C) Shaykh Ahmed repeated a position that he has made before to the USG: that geopolitical tensions are the greatest reason for the current high oil prices and that these issues are "not in the hands" of Kuwait. He added that "60% of the geopolitical events affecting oil prices are here, in the Gulf." Speaking from his experience as OPEC President throughout 2005, he said that he thought that, between now and 2020, "production will reach demand, even in exceptional circumstances."

¶19. (C) Turning back to Iran and the issue of energy supply security, Shaykh Ahmed said that "if something happens in the shipping lanes" in the Gulf, "this will be a big problem." "All of us," he added, referring to the major oil producers in the region, "depend on the Gulf." He also said that he is concerned that Kuwait "doesn't have a missile defense system" capable of fending off an attack, and that "missiles could hit Kuwait's refineries." He listed the main problems with any action in the Gulf as: the threat to the shipping lanes; the concentration of all of Kuwait's downstream refining and production facilities on the coast; and Kuwait's inability to knock down Silkworm missiles.

¶20. (U) Counselor Zelikow cleared on this cable.

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